MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018 / 2019 SESSION

DEC5028 – MACROECONOMICS

(All sections / Groups)

5 MARCH 2019
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **12** pages with 2 sections.
2. Answer **ALL** questions for sections A and B.
3. Answers for section A should be shaded on the OMR sheet provided.
4. For section B, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.

1. Delisha owes with her friend and she will be paying it with the salary that she will be receiving next month. What means of payment she is using to settle her debt?

   A. Food.
   B. Gold.
   C. Money.
   D. Silver

2. When Jeffry sells his Adidas shoes at RM250, he is using the price as _____ for his shoes.

   A. a barter system
   B. a medium of exchange
   C. a store of value
   D. a unit of account

3. The longer we safe keep our money, the value of money falls due to the prices of goods and services that tend to go up. This represents the disadvantage of _____.

   A. money as a store of value
   B. commodity monies
   C. currency exchange
   D. government policy

4. Irdina wants to exchange her heels with Azizul's backpack but sadly, Azizul dislikes the goods offered by Irdina and cancelled the transaction. What problem reflects the situation faced by them?

   A. Liquidity of the heels offered by Irdina.
   B. Double coincidence of wants.
   C. Store of value.
   D. Legal tender.

Continued ...

Question 5 to question 6 refer to table 1.

Component	Amount (millions of ringgit)
Currency	200
Checking deposits	300
Savings deposits	150
Traveler's checks	8
Time deposits	800
Money market mutual funds	780
Available credit on credit cards	600

Table 1

5. How much is the value of M1 from table 1 above?

   A. RM500 million.
   B. RM508 million.
   C. RM618 million.
   D. RM680 million.

6. Calculate the value of M2 from table 1 above.

   A. RM2,100 million.
   B. RM2,200 million.
   C. RM2,238 million.
   D. RM2,585 million.

7. Which of the following are the factors that limit the banks to create the number of deposits?

   I. The monetary base.
   II. Desired reserves.
   III. Desired currency holding.

   A. I only.
   B. I and II only.
   C. I and III only.
   D. I, II, and III.

Continued ...

8. When Ehsan decided to deposit his money of RM25,000 in Bank ABC that has a desired reserve requirement ratio of 12 per cent, the reserve required amount would be _____.

A. RM3,000
B. RM4,000
C. RM5,000
D. RM6,000

Bank MDB			
Assets		**Liabilities**	
Reserves	RM20	Deposits	RM400
Loans	RM380		
Total	RM400	Total	RM400

Table 2

9. Table 2 shows Bank MDB's initial balance sheet. Based on the details given, calculate the required reserved ration for Bank MDB.

A. 8%
B. 7%
C. 6%
D. 5%

10. The relationship between the final change in deposits and the change in reserves is called _____.

A. money multiplier
B. T-account
C. desired reserves
D. currency holdings

11. When commercial banks are running short of cash, where can they can seek assistance as their last resort?

A. Bank Negara Malaysia.
B. Other commercial banks.
C. Other firms.
D. Public people.

Continued ...

12. Which of the following are the functions of Bank Negara Malaysia?

I. Control money supply.
II. Regulate financial industry.
III. Provide loans to the people.

A. I only.
B. I and II.
C. I and III.
D. I, II, and III.

13. One of the influences of people holding money is _____.

A. saving
B. lifestyle
C. the price level
D. trend

14. Which of the following statements is **TRUE**?

A. The long-run aggregate supply curve is upward sloping.
B. The long-run aggregate demand curve is upward sloping.
C. The short-run aggregate supply curve is vertical.
D. The long-run aggregate supply curve is vertical.

15. The long-run aggregate supply curve shows the _____.

A. maximum GDP the nation will ever produce
B. full-employment level of real GDP
C. level of real GDP associated with a constant price level
D. level of output at which real GDP equals nominal GDP

16. Along a short-run aggregate supply curve, a decrease in the price level means that _____.

A. more output is produced as consumer demand increases
B. more output is produced as firms increase production because wages fall more than the price level falls, making it profitable to hire more workers
C. less output is produced as firms decrease production
D. output does not change because firms do not change the quantity they produce

17. Suppose the price level, the money wage, and the price of all other resources rise by 10 percent. This set of changes leads to _____.

A. a downward movement along the *LAS* curve
B. an upward movement along the *SAS* curve
C. a leftward shift of the *LAS* curve
D. an upward movement along the *LAS* curve

Continued ...

18. An increase in aggregate demand when the economy is operating at full capacity is likely to result in _____.

A. an increase in the overall price level but no increase in output
B. an increase in both output and the overall price level
C. an increase in output but no increase in the overall price level
D. no increase in either output or the overall price level

19. Which of the following is the **MOST** suitable policy measure for the government to reduce high inflation?

A. Increase government spending.
B. Decrease discount rate.
C. Increase discount rate.
D. Decrease personal income tax.

20. The level of aggregate output demanded falls when the price level rises, because the resulting increase in the interest rate will lead to _____.

A. higher investment spending and higher consumption spending
B. lower investment spending and higher consumption spending
C. higher investment spending and lower consumption spending
D. lower investment spending and lower consumption spending

21. Which of the following is **NOT** a potential start of a demand-pull inflation?

A. An increase in the quantity of money.
B. An increase in government expenditure.
C. An increase in the money wage rate.
D. An increase in exports.

22. In January 2016, the price of oil was RM500 per barrel and in January 2017, the price estimated at RM350 per barrel. This change in the price of oil could have started _____.

A. a cost-push inflation
B. nothing as fall in oil price does not start an inflation
C. demand-pull inflation
D. both cost-push inflation and demand-pull inflation

23. Stagflation occurs when the price level _____ and real GDP _____.

A. falls; increases
B. falls; decreases
C. rises; increases
D. rises; decreases

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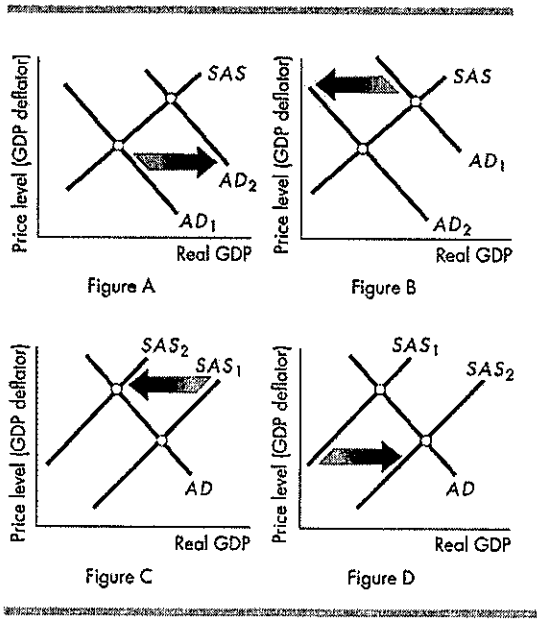

Figure 1

24. In figure 1 above, which shows the start of a cost-push inflation?

A. Figure A.
B. Figure B.
C. Figure C.
D. Figure D.

25. When there is an increase in the money wage rate, it will shift the short run average supply curve _____ and when there is an increase in the money price of raw materials, it shifts the short run average supply curve _____.

A. leftward; leftward
B. rightward; rightward
C. rightward; leftward
D. leftward; rightward

26. One of the ways to prevent cost-push inflation is _____.

A. there must not be an excess demand for money
B. the Central Bank must not let the quantity of money rise persistently
C. the interest rates must not rise
D. there must not be an increase in government purchases

Continued ...

27. When Malaysia government increases the holdings of foreign currency, the _____ will be negative.

A. balance of trade
B. official settlement account
C. capital account
D. current account

28. Malaysia trade export of goods in 2016 seems greater than its trade imports. This shows the country is having a _____.

A. trade deficit
B. capital account surplus
C. trade surplus
D. current account deficit

29. How many major accounts are there in balance of payments have?

A. 2
B. 3
C. 4
D. 5

30. Select which statement is **TRUE**.

A. An increase in exports causes a balance of payments surplus.
B. A decrease in exports causes a balance of payments deficit.
C. The balance of payments is always in balance.
D. A decrease in imports causes a balance of payments surplus.

31. The record of a country's transactions in goods, services, and assets with _____ is in its balance of payments.

A. its ten largest trade partners
B. its residents
C. governments of other nations
D. the rest of the world

32. When a Thailand individual buys shares in a Malaysia company, the transaction will be entered as a _____.

A. credit in the Malaysia current account
B. credit in the Malaysia capital account
C. debit in the Malaysia current account
D. debit in the Malaysia current account

Continued ...

33. The following statements are true **EXCEPT** _____.

A. a country runs a net export deficit if it imports more than it exports
B. a country runs a current account surplus if it sells more of its assets abroad than it buys
C. if the current account is in surplus, the capital account must be in deficit
D. the overall sum of all the entries in the balance of payments must be zero

34. Exchange rates that are determined by the unregulated forces of supply and demand are _____.

A. fixed exchange rates
B. pegged exchange rates
C. floating exchange rates
D. managed exchange rates

35. If the investment return in Malaysia increases, we can expect _____.

A. the demand for Malaysia ringgit to increase
B. the demand for Malaysia ringgit to decrease
C. the supply of foreign currency in the Malaysia to decrease
D. the demand for foreign currency in the Malaysia to increase

36. Which of the following policies tends to cause the dollar to appreciate?

A. An expansionary monetary policy.
B. A contractionary fiscal policy
C. A combination of an expansionary monetary policy and a contractionary fiscal policy
D. An expansionary fiscal policy

37. An increase in Malaysia imports from Singapore increases the _____ for Malaysia ringgit and increases the _____ of Singapore dollars.

A. demand; supply
B. supply; demand
C. demand; demand
D. supply; supply

38. What would happen when there is a fall in value of the British pound relative to the Japanese yen?

A. Appreciation of the pound.
B. Depreciation of the pound.
C. Weakening of the yen.
D. Floating of the yen.

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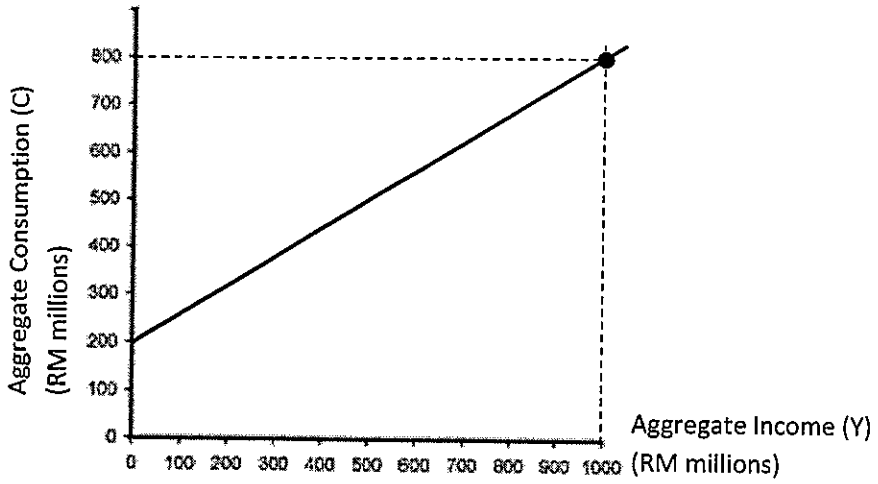
QUESTION 2

Answer the following questions.



(a) Find the consumption function for this economy based on diagram above. (3.5 marks)

(b) Calculate the equilibrium output (income) for this economy with RM15 millions of investment, RM20 millions of government spending and RM5 million for tax. (4.5 marks)

(c) Calculate:

i. Investment multiplier. (2 marks)

ii. Tax multiplier. (2 marks)

(d) Fill in the table below. (8 marks)
(Please copy the table below in your answer script)

Y	T	Yd	C	S	I	G	AE
0	5				15	20	
50	5				15	20	
180	5				15	20	
230	5				15	20	

Given;

Y	*Aggregate Output (Income)*
T	*Personal Income Tax*
Yd	*Disposable Income*
C	*Aggregate Consumption*
S	*Aggregate Saving*
I	*Planned Investment*
G	*Government Expenditure*
AE	*Aggregate Expenditure*

(Total: 20 marks)

Continued ...

QUESTION 3

(a) Based on the aggregate production function given, calculate total output, labour productivity and output per capital for country XYZ. (9 marks)

$$Y = 2K \times L^{0.2}$$

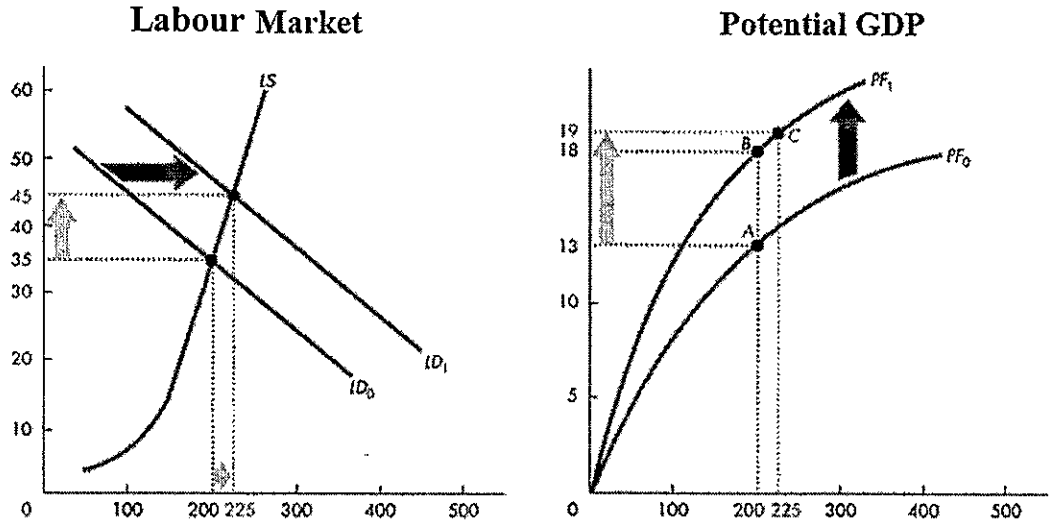
Year	Quantity of Labour *(L)*	Quantity of Capital *(K)*	Total Output *(Y)*	Labour Productivity *(Y/L)*	Output per Capital *(Y/K)*
2012	80	50			
2013	80	60			
2014	80	70			
2015	80	80			
2016	80	90			
2017	80	100			

Table 3

i. Explain what happen to the labour productivity as capital is added in the economy. (2 marks)

ii. Define invention and innovation. (3 marks)

(b) Explain the effects of an increase in labour productivity to the labour market and potential GDP based on diagram below. (6 marks)



(Total: 20 marks)

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